

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2007-319-W**  
**January 3, 2008**

Application of South Atlantic Utilities, Inc. )	
for Approval of an Increase in Rates and )	<b>SETTLEMENT AGREEMENT</b>
Charges for the Community Water System )	
at May River Plantation in Bluffton, South )	
Carolina. )	
_____ )	

This Settlement Agreement is made by and between the Office of Regulatory Staff (“ORS”) and South Atlantic Utilities, Inc. (“South Atlantic” or “the Company”) (together referred to as the “Parties” or sometimes individually as “Party”).

WHEREAS, the Company has prepared and filed an Application seeking an adjustment of its rates and charges and modifications to certain terms and conditions set out in its rate schedule for the provision of its water service for the Community Water System at May River Plantation in Bluffton, South Carolina;

WHEREAS, the above-captioned proceeding has been established by the South Carolina Public Service Commission (“Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2006), and the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket;

WHEREAS, since the filing of the Application, ORS has requested information from South Atlantic and the Company has provided those responses to ORS;

WHEREAS, ORS examined the books and records of the Company relative to the matters raised in the Application and, in connection therewith, has requested of and received from the Company additional documentation;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests; and

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by stipulating to a comprehensive settlement of all issues pending in the above-captioned case under the terms and conditions set forth herein;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order on the merits of this proceeding, will result in rates and terms and conditions of water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable rate of return.

1. The Parties agree that no documentary evidence will be offered in the proceeding by the Parties other than: (1) the Application filed by the Company, (2) the exhibits to the testimony referenced in paragraph 2 herein below, and (3) this Settlement Agreement with Exhibits A through E attached hereto.

2. The Parties stipulate and agree to include in the hearing record of this case the pre-filed direct testimony of M. Elizabeth Ford, Christina L. Seale, Jacquelyn Watson and Thomas Smith, including all exhibits attached to the pre-filed testimony, without objection or cross-examination. Further, the parties agree to include in the hearing record of this case without

objection or cross examination the settlement testimony of witnesses M. Elizabeth Ford, Jacquelyn Watson, and Thomas Smith, attached hereto and incorporated herein by this reference as Exhibits A, B, and C.

3. The Parties stipulate and agree that the accounting exhibits prepared by ORS and attached hereto as Exhibit D fairly and reasonably set forth the Company's operating expenses, pro forma adjustments, depreciation rates, plant in service, Operating Margin of 15.64%, and revenue requirement.

4. The Parties stipulate and agree that the rate schedule attached hereto as Exhibit E, including the rates and charges and terms and conditions of service, are fair, just, and reasonable. The Parties further stipulate and agree that the rates contained in said rate schedule are reasonably designed to allow the Company to provide service to its customers at rates and terms and conditions of service that are fair, just and reasonable and the opportunity to recover the revenue required to earn a fair return on its investment.

5. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (added by Act 175). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public

while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

6. In its Application, South Atlantic has requested, based on the adjustments of ORS, an increase in annual revenues of \$5,252, based on current test year calculated revenues of \$8,844 and test year proposed revenues of \$14,096. As a compromise to positions advanced by ORS and South Atlantic, the Parties stipulate and agree to an increase in annual revenues of \$3,467, said increase to be based upon the adjustments reflected in the testimony of Christina L. Seale and the operating margin stipulated to by the Parties in Paragraph 7 below.

7. The Company and ORS recognize the value of resolving this proceeding by settlement rather than by litigation and, therefore stipulate and agree for purposes of settlement in this case that a operating margin of 15.64% is just and reasonable under the specific circumstances of this case, including the size and location of the system, and in the context of a comprehensive settlement.

8. The Parties further stipulate and agree that the stipulated testimony of record, the Application, and this Settlement Agreement conclusively demonstrate the following: (i) the proposed accounting and pro forma adjustments and depreciation rates shown on Exhibit D hereto are fair and reasonable and should be adopted by the Commission for ratemaking and reporting purposes; (ii) a operating margin of 15.64 %, which yields an annual increase in revenues of approximately \$3,467, is fair, just, and reasonable when considered as a part of this stipulation and settlement agreement in its entirety; (iii) South Atlantic's services are adequate and being provided in accordance with the requirements set out in the Commission's rules and regulations pertaining to the provision of water service, and (iv) South Atlantic's rates as

proposed in this Settlement Agreement are fairly designed to equitably and reasonably recover the revenue requirement and are just and reasonable and should be adopted by the Commission for bills rendered by the Company after February 1, 2008.

9. The Parties further agree and stipulate that the rate schedule attached hereto as Exhibit E, including the rates and charges and the terms and conditions set forth therein, are just and reasonable, reasonably designed, and should be approved and adopted by the Commission.

10. The Parties agree that South Atlantic shall work towards adopting the NARUC system of accounts and that it shall begin to keep all books and records of the May River system in accordance with this system by no later than the start of the Company's next fiscal year subsequent to the issuance of an Order of the Commission in this case.

11. South Atlantic further agrees and stipulates that it will file with ORS all required information, data and reports required under the Commission's Regulations on an annual or regular basis in a timely manner and shall keep in place or file performance bond(s) in amounts determined to be adequate by ORS for water service.

12. The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of the above-captioned proceeding and to take no action inconsistent with its adoption by the Commission. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

13. The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair, or prejudice their arguments or positions held in other proceedings. If the

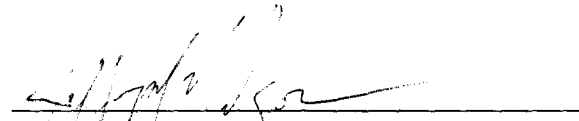
Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty or obligation.

14. This Settlement Agreement shall be interpreted according to South Carolina law.

15. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

**Representing the Office of Regulatory Staff**



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Jeffrey M. Nelson, Esquire

**Office of Regulatory Staff**

✓ 1441 Main Street (Suite 300)

Columbia, SC 29201


Phone: (803) 737-0823

Fax: (803) 737-0895

E-mail: [jnelson@regstaff.sc.gov](mailto:jnelson@regstaff.sc.gov)

WE AGREE:

**South Atlantic Utilities, Inc.**

A handwritten signature in black ink, appearing to read 'Bj. P. Mustian', is written over a horizontal line.

Benjamin P. Mustian, Esquire

**Willoughby & Hoefer, P.A.**

Post Office Box 8416

930 Richland Street

Columbia, SC 29202-8416

Phone: (803) 252-3300

Fax: (803) 256-8062

E-mail: [bmustian@willoughbyhoefer.com](mailto:bmustian@willoughbyhoefer.com)



**SETTLEMENT TESTIMONY OF M. ELIZABETH FORD**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2007-319-W**

**IN RE: SOUTH ATLANTIC UTILITIES, LLC**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

A. My name is M. Elizabeth Ford. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Program Specialist in the Water/Wastewater Department for the Office of Regulatory Staff ("ORS").

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to provide a brief overview of the Settlement Agreement reached between ORS and South Atlantic Utilities, LLC ("South Atlantic") in this proceeding and to explain why this Settlement Agreement is in the public interest.

**Q. PLEASE PROVIDE AN OVERVIEW OF THE SETTLEMENT AGREEMENT REACHED BY ALL PARTIES OF RECORD.**

A. Following extensive discussions, the parties have each determined that their interests, as well as the interest of the public would be best served by settling all pending issues in this proceeding.

1 It is the position of ORS and the other parties of record in this docket that the  
2 Settlement Agreement, as presented to this Commission, is a fair, reasonable and  
3 full resolution to all issues in this proceeding. Further, the Settlement Agreement  
4 represents the public interest as it preserves the balance referred to in S.C. Code §  
5 58-4-10:

6 ... 'public interest' means a balancing of the following:  
7

- 8 (1) Concerns of the using and consuming public with  
9 respect to public utility services, regardless of the  
10 class of customer;  
11
- 12 (2) Economic development and job attraction and  
13 retention in South Carolina; and  
14
- 15 (3) Preservation of the financial integrity of the State's public utilities  
16 and continued investment in and maintenance of utility facilities so  
17 as to provide reliable and high quality utility services.  
18

19 All parties agree that an increase in rates and charges is necessary for South  
20 Atlantic to provide its residential customers with safe and adequate water service.  
21 The Settlement Agreement provides a schedule of proposed rates, terms and  
22 conditions that are fair and reasonable to both the customer and South Atlantic  
23 and will allow South Atlantic the opportunity to earn a fair return on its  
24 investment. Specifically, South Atlantic has agreed to reduce its rates, from those  
25 proposed in the original Application, in the areas of residential water base facility  
26 charges and water usage charges. South Atlantic currently charges a residential  
27 base facility charge of \$22.00. In its Application, South Atlantic proposed an  
28 increase in the base facility charge to \$34.00. As a result of the settlement  
29 agreement, the base facility charge will be \$30.00 which reflects an \$8.00

1 increase. South Atlantic proposed, in its application, an increase in the commodity  
2 charge using an inclining block rate structure. As a result of the settlement  
3 agreement, the commodity charge for water will be \$2.00/1,000 gallons and South  
4 Atlantic will not implement an inclining block rate structure.

5 The proposed rate increase would result in additional revenue of \$3,467 for total  
6 revenue of \$12,311 resulting in a 15.64% operating margin.

7 As stated earlier, it is the position of ORS and South Atlantic that this Settlement  
8 Agreement is a fair, reasonable and full resolution to all issues in this proceeding  
9 and I would request the Commission approve the Settlement Agreement as  
10 presented today.

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 A. This concludes my overview of the Settlement Agreement presented on behalf of  
13 ORS and South Atlantic.

14

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2007-319-W**

**IN RE:**

Application of South Atlantic Utilities, Inc.       )  
for Approval of an Increase in Rates and Charges    )  
for the Community Water System at May River       )  
Plantation in Bluffton, South Carolina            )  
\_\_\_\_\_)

**SETTLEMENT TESTIMONY OF**  
**JACQUELYN WATSON**

1    **Q.    ARE YOU THE SAME JACQUELYN WATSON WHO HAS PREFILED DIRECT**  
2       **TESTIMONY IN THIS CASE?**

3    A.       Yes, I am.

4

5    **Q.    WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY IN THIS**  
6       **PROCEEDING?**

7    A.       The purpose of my testimony is to discuss the settlement agreement between  
8       South Atlantic Utilities, Inc., or South Atlantic, and the South Carolina Office of  
9       Regulatory Staff and support its adoption by the Commission.

10

11   **Q.    ARE YOU AWARE THAT THE COMPANY HAS ENTERED INTO A**  
12       **SETTLEMENT AGREEMENT WITH THE OFFICE OF REGULATORY STAFF**  
13       **(“ORS”) IN THIS PROCEEDING?**

1 A. Yes. It is my understanding that, as part of a comprehensive settlement of the  
2 issues in this matter, South Atlantic and ORS have agreed to certain accounting  
3 adjustments that will allow the Company the opportunity to earn an additional \$3,467 in  
4 annual revenue and the resulting operating margin would be 15.64%. This would yield a  
5 base facility charge in the amount of \$30 which would include 10,000 gallons of water  
6 consumption. Consumption in excess of this amount would be subject to an additional  
7 charge of \$2.00 per thousand gallons.

8  
9 **Q. DO YOU BELIEVE THE RATES CONSENTED TO IN THE SETTLEMENT**  
10 **AGREEMENT WILL PROVIDE THE COMPANY SUFFICIENT ADDITIONAL**  
11 **REVENUES AND IS REASONABLE?**

12 A. In the context of a comprehensive settlement such as this, I believe that the  
13 agreed-upon rates will allow South Atlantic the opportunity to earn sufficient revenue to  
14 ensure safe and reliable service to its customers at an affordable rate. The Company  
15 believes that the proposed settlement rates fairly distribute the cost to the consumer of  
16 providing those services, while at the same time placing the utility on a more solid  
17 financial footing.

18  
19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes, it does.

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2007-319-W**

**IN RE:**

Application of South Atlantic Utilities, Inc.       )  
for Approval of an Increase in Rates and Charges    )  
for the Community Water System at May River       )  
Plantation in Bluffton, South Carolina            )  
\_\_\_\_\_)

**SETTLEMENT TESTIMONY OF**  
**THOMAS SMITH**

1   **Q.    ARE YOU THE SAME THOMAS SMITH WHO HAS PREFILED DIRECT**  
2       **TESTIMONY IN THIS CASE?**

3   A.       Yes, I am.

4

5   **Q.    WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?**

6   A.       The purpose of my testimony is to discuss the settlement agreement between  
7       South Atlantic Utilities, Inc., or South Atlantic, and the South Carolina Office of  
8       Regulatory Staff and support its adoption by the Commission.

9

10  **Q.    HAS THE COMPANY ENTERED INTO A SETTLEMENT AGREEMENT WITH**  
11  **THE OFFICE OF REGULATORY STAFF?**

12  A.       Yes. The Company has negotiated with ORS resulting in a resolution of the  
13  issues in this matter.

1   **Q.    IS THE SETTLEMENT AGREEMENT A REASONABLE MEANS OF**  
2   **RESOLVING THE ISSUES IN THIS CASE?**

3   **A.**       Yes, it is. In the context of the present settlement agreement, which disposes of  
4   all issues in the case, the rates set based on a 15.64% operating margin and the  
5   adjustments proposed by Ms. Tina Seale of ORS allow the Company the opportunity to  
6   earn sufficient revenue to ensure safe and reliable service to its customers at an affordable  
7   rate. The Company believes that the proposed settlement rates fairly distribute the cost to  
8   the consumer of providing those services, while at the same time placing the utility on a  
9   more solid financial footing. Additionally, ORS has stipulated that this agreement serves  
10   the public interest. I believe this is demonstrated by the fact that the Commission has not  
11   received any protests from South Atlantic customers in this proceeding even though the  
12   rates requested in the application were higher than what has been agreed upon.

13           Further, it is my understanding that one of the statutory duties of ORS is to  
14   facilitate the resolution of disputed issues involving matters within the jurisdiction of the  
15   Commission. I also believe that other parties in cases before the Commission, which in  
16   this proceeding is only South Atlantic, should work with ORS in good faith in an attempt  
17   to reach a settlement. I believe that the Settlement Agreement reflects a good faith effort  
18   on the part of ORS and South Atlantic to meet their respective obligations in that regard.  
19   Finally, the settlement is beneficial to the Company and the customers in that it brings  
20   this matter to an end without delay and the uncertainty of further proceedings which, in  
21   turn, permits the Company to focus upon the continued improvement and expansion of its  
22   facilities and services for the benefit of its customers which is consistent with the public

1 interest.

2 The Company is committed to continuing to provide quality service in an  
3 environmentally responsible manner. It is our belief that the agreed-upon rates in the  
4 comprehensive settlement agreement are reasonable, fair, responsible, non-discriminatory  
5 and justified when considered as a part of the settlement agreement in its entirety and in  
6 light of the customers' needs, the Company's requirements to meet the customers' needs,  
7 and the Company's commitment to do so in compliance with regulations of this  
8 Commission, DHEC, and other regulatory agencies with jurisdiction over the Company.

9  
10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A.** Yes, it does.



# EXHIBIT D

## SETTLEMENT AUDIT EXHIBIT CLS-1

South Atlantic Utilities, Inc.  
Docket No. 2007-319-W  
Operating Experience and Operating Margin for May River Plantation  
For the Test Year Ended December 31, 2006

	(1)	(2)	(3)	(4)	(5)
	Application Per Books	ORS's Proposed Accounting & Pro forma Adjustments	After ORS's Proposed Accounting & Pro forma Adjustments	Proposed Settlement Increase	After Proposed Settlement Increase
<b><u>Operating Revenues</u></b>					
Customer Billings	\$ 8,951	\$ (107) (A)	\$ 8,844	\$ 3,467 (K)	\$ 12,311
Tap Fees	500	(500) (B)	0	0	0
<b><u>Total Operating Revenues</u></b>	<b>\$ 9,451</b>	<b>\$ (607)</b>	<b>\$ 8,844</b>	<b>\$ 3,467</b>	<b>\$ 12,311</b>
<b><u>Operating Expenses</u></b>					
Electricity	\$ 804	\$ (24) (C)	\$ 780	\$ 0	\$ 780
Meter Reading	600	(600) (D)	0	0	0
Taxes Other Than Income	69	(5) (E)	64	24 (L)	88
Licenses	200	(115) (F)	85	0	85
Depreciation	275	(272) (G)	3	0	3
Lab Fees	870	(90) (H)	780	0	780
Drinking Water	889	0	889	0	889
Overhead Allocation	6,999	(3,133) (I)	3,866	0	3,866
Rate Case	0	3,435 (J)	3,435	0	3,435
Income Taxes (State and Federal)	0	0	0	459 (M)	459
<b><u>Total Operating Expenses</u></b>	<b>\$ 10,706</b>	<b>\$ (804)</b>	<b>\$ 9,902</b>	<b>\$ 483</b>	<b>\$ 10,385</b>
<b><u>Net Operating Income (Loss) for Return</u></b>	<b>\$ (1,255)</b>	<b>\$ 197</b>	<b>\$ (1,058)</b>	<b>\$ 2,984</b>	<b>\$ 1,926</b>
<b><u>Operating Margin</u></b>	<b><u>-13.28%</u></b>		<b><u>-11.96%</u></b>		<b><u>15.64%</u></b>

## SETTLEMENT AUDIT EXHIBIT CLS-2

South Atlantic Utilities, Inc.  
Docket No. 2007-319-W  
Explanation of Adjustments for May River Plantation  
For the Test Year Ended December 31, 2006

Revenues and Expenses	Adj.#	Description	\$ Settlement	\$ Application
<b><u>ORS's Proposed Accounting and Pro forma Adjustments</u></b>				
(A) Customer Billings	1	To normalize customer billings for the test year.	(107)	0
(B) Tap Fees	2	To remove tap fees from revenues and include in CIAC.	(500)	0
(C) Electricity	3	To remove donations paid in the test year.	(24)	0
(D) Meter Reading	4	To remove meter reading expenses, which are included in the overhead allocation.	(600)	0
(E) Taxes Other Than Income	5	To adjust the gross receipts taxes associated with ORS's accounting and pro forma adjustments.	(5)	0
(F) Licenses	6	To remove unsupported expenses from the Licenses Account.	(200)	0
	7	To include license fees paid in the test year.	85	0
		Total	(115)	0
(G) Depreciation	8	To adjust depreciation and amortization on all fixed assets and CIAC.	(272)	0
(H) Lab Fees	9	To remove lab fees incurred outside the test year, but included in the cost of service.	(90)	0
(I) Overhead Allocation	10	To adjust for an allowable expense allocation for ratemaking purposes.	(3,133)	0
(J) Rate Case	11	To amortize total rate case expenses over a three-year period.	3,435	0
<b><u>Proposed Settlement Increase</u></b>				
(K) Customer Billings	12	To adjust customer billings for the calculation of the proposed settlement rate increase.	3,467	4,583
(L) Taxes Other Than Income	13	To adjust gross receipts taxes associated with the proposed settlement rate increase.	24	0
(M) Income Taxes (State and Federal)	14	To adjust income taxes associated with the proposed settlement rate increase.	459	0

## SETTLEMENT AUDIT EXHIBIT CLS-3

South Atlantic Utilities, Inc.

Docket No. 2007-319-W

**Computation of Depreciation and Amortization Expenses for May River Plantation  
For the Test Year Ended December 31, 2006**

Year Acquired	Description	Amount \$	Service Life years	Rate %	Expense \$
<u>Fixed Assets Per Prior Rate Case Docket No. 91-494-W:</u>					
1973	May River and Improvements				
	Land	500	N/A	N/A	0
	Building	1,000	50	2.00%	20
	Water Tank	1,427	50	2.00%	29
	Pump and Equipment	4,968	5	20.00%	FD
	Miscellaneous Equipment	4,471	10	10.00%	FD
	Totals	12,366			49
<u>Additional Fixed Assets Per Application:</u>					
1992	Meters	273	20	5.00%	14
	<b>Total Fixed Assets &amp; Depreciation Expense</b>	<b>12,639</b>			<b>63</b>
<u>CIAC Per Prior Rate Case Docket No. 91-494-W:</u>					
1973-1991	Tap Fees Paid By Developer	(8,300)	8.31	12.04%	FA
1973-1991	Availability Fees	(4,066)	8.31	12.04%	FA
	Totals	(12,366)			0
<u>Additional CIAC Amortized by ORS:</u>					
2006	Tap Fee	(500)	8.31	12.04%	(60)
	<b>Total CIAC &amp; Amortization Expense</b>	<b>(12,866)</b>			<b>(60)</b>
	<b>Net Depreciation Expense</b>				<b>3</b>
	Less: Per Book Depreciation Expense				(275)
	<b>ORS's Proposed Depreciation Expense Adjustment</b>				<b>(272)</b>

FD= Fully Depreciated

FA= Fully Amortized

N/A= Not Applicable

SETTLEMENT AUDIT EXHIBIT CLS-4

South Atlantic Utilities, Inc.  
Docket No. 2007-319-W  
Computation of Income Taxes for May River Plantation  
For the Test Year Ended December 31, 2006

	After ORS's Proposed Accounting & Pro forma Adjustments	After Proposed Settlement Increase
Total Operating Revenues	\$ 8,844	\$ 12,311
Less: Operating Expenses	9,902	9,926
State Taxable Income	(1,058)	2,385
Less: State Income Taxes @ 5%	0	119
Federal Taxable Income	(1,058)	2,266
Federal Income Taxes:		
1st \$50,000 @ 15%	0	340
Total State and Federal Income Taxes	0	459
Less: Income Taxes after ORS's Proposed Accounting and Pro forma Adjustments	0	0
<b>Income Taxes (State and Federal) Adjustment</b>	<b>\$ 0</b>	<b>\$ 459</b>

**SOUTH ATLANTIC UTILITIES, INC**  
**2007-319-W**  
**PROPOSED SETTLEMENT RATE AND REVENUE ANALYSIS**

**EXHIBIT E**

***Proposed Settlement Rate Schedule***

Customer Classification	Service Type	Billing Unit of Measure	Base Facilities Rate			Consumption Rate		
			Current Base Facilities Rate (2)	SAU Proposed Base Facilities Rate	Settlement Base Facilities Rate	Current Consumption Rate	SAU Proposed Consumption Rate	Settlement Consumption Rate
Residential	Tier 1 BFC (0-10,000 gallons)	per unit	\$22.00	\$34.00	\$30.00	\$0.00	\$0.00	\$0.00
	Tier 2 (10,000-20,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	\$1.00	\$2.00	\$2.00
	Tier 3 (20,000-40,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	\$1.00	\$2.50	\$2.00
	Tier 4 (Over 40,000 gallons)	per 1,000 gallons	\$0.00	\$0.00	\$0.00	\$1.00	\$3.00	\$2.00

***Proposed Settlement Revenue Analysis***

Customer Classification	Customer Invoices Issued (1)	Base Facility Charge/ Tier 1 Rate (2)	Proposed Tier 1 Total Revenue	Proposed Tier 2 Rate/1,000 gallons	Water Consumption Tier 2 (kgal)	Proposed Tier 2 Total Revenue	Total Proposed Revenues	Increase Amount	Percentage Increase
Residential	312	\$30.00	\$9,360	\$2.00	1,476	\$2,951	\$12,311	\$3,467	39.20%

(1) Customer Invoices Issued calculation is based upon 26 customers billed bi-monthly at a proposed BFC rate of \$60.00 (\$30.00 X 2 = \$60.00).

(2) South Atlantic includes 10,000 gallons of water consumption in the BFC. Since SAU bills on a bi-monthly basis, 20,000 gallons are included in the BFC charge.


**BEFORE**  
**THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**  
**DOCKET NO. 2007-319-W**

IN RE:

Application of South Atlantic Utilities,	)	
Incorporated for Approval of an Increase in	)	<b>CERTIFICATE OF</b>
Rates and Charges for the Community Water	)	<b>SERVICE</b>
System at May River Plantation in Bluffton,	)	
South Carolina	)	

This is to certify that I, Pamela J. McMullan, have this date served one (1) copy of the **SETTLEMENT AGREEMENT** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

Benjamin P. Mustian, Esquire  
Willoughby & Hoefer, P.A.  
Post Office Box 8416  
Columbia, SC, 29202

  
Pamela J. McMullan

January 3, 2008  
Columbia, South Carolina